

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1764 – SB 2014**

March 23, 2011

**SUMMARY OF BILL:** Creates franchise and excise tax credits for any employer considered a subchapter S or a subchapter K business under federal tax law that hires a new employee, provided the new employee was receiving unemployment benefits prior to being employed. Establishes the franchise and excise tax credit equal to \$5,000 for each new full-time employee hired. Requires the qualified employer to provide at least 12 consecutive months of employment for such new employees, and pay wages for no less than 37.5 hours per week. Establishes a carry-forward provision, up to five years, when total tax credits exceed tax liability. Authorizes the Commissioner of Revenue to promulgate rules and regulations.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Exceeds \$62,035,000**

Assumptions:

- According to the Department of Revenue (DOR), there are 72,143 firms in Tennessee that are taxed under subchapters S or K of the Internal Revenue Service (IRS) code.
- DOR indicates that approximately 49,628 will be required to file franchise and excise tax returns due to pre-deduction tax liabilities exceeding \$100.
- According to DOR, and based on the National Small Business Association 2010 Year-End Economic Report, approximately 25 percent of small businesses will hire new employees over the next 12 months.
- The number of qualified businesses will be 12,407 (49,628 x 25%).
- At least one new employee per qualified employer.
- The recurring decrease in state revenue will exceed \$62,035,000 (12,407 qualified businesses x 1 employee x \$5,000 tax credit).

**HB 1764 – SB 2014**

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc